

New Leadership

New Partnerships

New Student Benefits

A New Day



Kentucky Higher Education Assistance Authority

FY2002 Annual Report

Mission

KHEAA's mission is to improve the higher education opportunities of persons attending or planning to attend eligible institutions. To that end, KHEAA:

- Administers nine state student aid programs.
- Guarantees Federal Family Education Loans for Kentucky and Alabama.
- Provides a multifaceted outreach program to distribute financial aid information.

Vision

KHEAA's vision for the future is to:

- Improve financial access to higher education for the maximum number of students to attend college.
- Maintain full funding of state grant and scholarship programs.
- Fully utilize technology to modernize and simplify student financial aid processes.
- Expand and improve outreach to positively impact the college-going population.

From the Board Chair and Executive Director

FY2002 was a year of rejuvenation and excitement for the Kentucky Higher Education Assistance Authority (KHEAA) as we focused on strengthening our existing partnerships and exploring new ones to help us make higher education more affordable for students and families.

Building on KHEAA's fee waiver, which saved students \$6.6 million in FY2002, KHEAA joined its sister agency, the Kentucky Higher Education Student Loan Corporation (also known as The Student Loan Peoplesm), in announcing and promoting BestStart and Best in Class. These two Stafford Loan Programs are expected to save Kentucky students an additional \$7 million. They are explained inside this report.

Participation in the Stafford Loan Program and other Federal Family Education Loan Programs is important to our students. FFELP revenue covers administrative costs of Kentucky's state student aid programs, allowing General Funds to go directly to students in the form of awards.

As the state's only public, nonprofit student loan provider, The Student Loan People returns revenue to the Commonwealth for state student grant and work-study awards and, now, provide the lowest-cost student loans in Kentucky!

FFELP revenue also enabled KHEAA to waive its loan insurance fee and provide free information to hundreds of thousands of families about planning and paying for college through comprehensive and diverse outreach initiatives.

KHEAA's Success Through Educational Planning (STEP) program uses direct mail to reach the homes of Kentucky students in grades 9-12; the mobile Higher Education Learning and Planning (HELP) Center and Regional Outreach make direct contact with people who can directly benefit from KHEAA programs and services or



Mary Jo Young
Board Chair



Dr. Joe L. McCormick
Executive Director

inform others about them; and Hope, Opportunity and Progress through Education (HOPE) focuses on reaching African Americans and other minorities.

As we face the future, we realize that we are building on the successes of the past. These successes are due to the deep commitment of the board of directors and staff to the students and families, schools, lenders, and others we serve.

Governor Paul E. Patton and state legislators clearly share KHEAA's commitment as evidenced by an impressive list of accomplishments:

- Full funding of the state's need-based grant programs.
- Creation of the merit-based Kentucky Educational Excellence Scholarship and "Education Pays" campaign.
- Creation of *two* "529" plans.

In the coming year, we look forward to working with all of our partners to increase the college-going rate and to help our students realize that a higher education really does pay!

Mary Jo Young
Board Chair

Dr. Joe L. McCormick
Executive Director

Accomplishing our Mission



FY2002

New guarantee volume increased 23 percent over last year to \$568 million, including:

- \$288 million for Kentucky.
- \$267 million for Alabama.
- \$13 million for other states throughout the nation.

Guarantees outstanding totaled \$2.337 billion.

Original principal outstanding totaled \$3.019 billion.

KHEAA worked diligently to accomplish its mission during FY2002 by:

Strengthening Partnerships

- Partnered with KHESLC to establish an Executive Search Committee that led to the appointment of Dr. Joe L. McCormick as Executive Director.
- Asked Governor Patton to expand the KHEAA Board of Directors to include members of the KHESLC Board of Directors.
- Established and met with advisory committees of financial aid professionals and held call-in conferences in Kentucky and Alabama to improve programs and services.
- Began exploring joint opportunities to promote the availability of higher education with the Council on Postsecondary Education, Kentucky Department of Education, Association of Independent Kentucky Colleges and Universities, Kentucky Virtual University, Kentucky Lottery, and other agencies and organizations.

State Student Aid Disbursements—FY2002

Program	Recipients	Amount
Kentucky Educational Excellence Scholarship (KEES)	43,660	\$38,002,900
College Access Program (CAP) Grant	34,530	34,523,100
Kentucky Tuition Grant (KTG)	8,850	13,798,700
Teacher Scholarship	650	2,144,500
Kentucky National Guard Tuition Award	1,700	2,145,400
Osteopathic Medicine Scholarship	120	1,530,900
KHEAA Work-Study	780	683,200
Early Childhood Development Scholarship	850	479,100
Kentucky Education Savings Plan Trust (KESPT)	190	1,064,500
Total	91,330	\$94,372,300

FFELP Loans Guaranteed*—FY2002

Program	Loans	Amount
Subsidized Stafford	89,020	\$294,053,700
Unsubsidized Stafford	66,720	238,802,800
PLUS	5,600	34,937,000
Consolidation	6,640	94,959,700
Total	167,980	\$662,753,200

*Represents original amounts guaranteed.

Improving Access

- Awarded \$94 million from grant, scholarship, and work-study programs, including \$37.8 million in lottery-funded KEES awards.
- Guaranteed \$663 million in FFELP loans—a 22 percent increase over FY2001.*
- Joined The Student Loan People in announcing BestStart and Best in Class, the lowest cost student loans for Kentuckians.
- Dedicated The Student Loan People's \$3 million revenue transfer exclusively to help fund state student aid awards.
- Overhauled grant award system to accommodate in-state portability, provide more flexibility to students, and fully utilize grant funds.

Expanding Outreach

- Created an Outreach Advisory Committee composed of education professionals committed to serving students of all ages.
- Traveled 94,600 miles to participate in college and career fairs and visit other agencies and organizations in all 120 Kentucky counties.

Effectively Using Technology

- Launched eSign, allowing students to electronically sign the Master Promissory Note.
- Began offering online loan consolidation.
- Began weekly electronic reporting to the National Student Loan Data System (first of 36 guarantors nationwide).
- Developed *KHEAA Partners* to communicate with our industry partners via e-mail.
- Created a new default aversion Web site www.itsmoneybaby.com.

The Lowest Cost Student Loans in Kentucky

These student loan programs are designed to:

- Help the state increase the college-going rate by providing the lowest cost loan programs to Kentucky students.
- Reward students for pursuing higher education, remaining in school, and demonstrating a good repayment history.
- Encourage students to enter the teaching profession and qualified teachers to remain in Kentucky.
- Increase availability of CAP and KTG funds.

KHEAA waives the 1 percent insurance fee, which has saved borrowers \$22.8 million since 1996. In addition, our sister agency, The Student Loan People:



Provides the lowest cost student loans available in Kentucky, with:

- Fee discounts
- Interest rate reduction for on-time payments
- Interest rate reduction for electronic payments



Provides these special benefits for Kentucky teachers:

- Forgives interest each year they teach in Kentucky.
- Rewards special education teachers at public or nonprofit Kentucky elementary or secondary schools with forgiveness of 20 percent of their loans' original principal at the end of each year they teach.

KHEAA Selected Financial Information As of June 30, 2002, and for the fiscal year then ended.

Dollars expressed in thousands

	Governmental Activities	Business-Type Activities	Fiduciary Funds	
	Student Aid Fund	Agency Operating Fund and Internal Service Fund	Federal Student Loan Reserve Fund	Agency Fund
Statement of Net Assets				
Current assets	\$11,895	\$10,270	\$15,265	\$ 4,864
Noncurrent assets	10,208	23,612	29,564	
Total assets	<u>22,103</u>	<u>33,882</u>	<u>44,829</u>	<u>4,864</u>
Current liabilities	145	3,331	7,431	4,864
Noncurrent liabilities		8,240		
Total liabilities	<u>145</u>	<u>11,571</u>	<u>7,431</u>	<u>\$ 4,864</u>
Total Net Assets	<u>\$21,958</u>	<u>\$22,311</u>	<u>\$37,398</u>	

Statement of activities			
Program revenue/additions	\$96,912	\$18,274	\$40,698
Direct expenses/deductions	93,787	13,544	42,457
Indirect expenses	3,105		
Total	<u>20</u>	<u>4,730</u>	<u>(1,759)</u>
Interest income		686	
Interfund transfers	3,320	(3,320)	
Federal student loan reserve fund transfer		(1,533)	1,533
Transfer from KHESLC		3,000	
Change in net assets	<u>3,340</u>	<u>3,563</u>	<u>(226)</u>
Net assets at beginning of year*	18,618	18,748	37,624
Net assets at end of year	<u>\$21,958</u>	<u>\$22,311</u>	<u>\$37,398</u>

* As restated.

To request a copy of KHEAA's FY2002 audited financial statements, contact the Division of Financial Affairs at (502) 696-7421.

***New KHEAA Facility
Dedicated to Service of
Students, Schools, and Lenders***



KHEAA moved to its new building at 100 Airport Road in Frankfort in late June. The new facility will allow KHEAA to provide even better, faster delivery of services and features an upgraded information technology system designed to make the financial aid process as easy, fast, and accurate as possible.

This modern, state-of-the-art facility was constructed using KHEAA-generated revenue without the use of General Funds.



For More Information, Contact:

**Kentucky Higher Education
Assistance Authority**

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www.kheaa.com

KHEAA does not discriminate on the basis of race, color, national origin, sex, religion, age, or disability in employment or services and provides, upon request, reasonable accommodations to afford individuals with disabilities an equal opportunity to participate in all programs and activities. Printed 11/02 with state funds KRS 57.375.

Leadership

Board of Directors

Mary Jo Young, Chair
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Marcia Kuegel Carpenter
Owensboro

Janis G. Garr
Lexington

Albert A. Kirkpatrick
Louisville

John G. Prather, Jr.
Somerset

Ex-Officio Members

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Finance and Administration Cabinet Secretary

Jonathan Miller
State Treasurer

Dr. Sue Hodges Moore
Interim CPE President

Senior Management

Dr. Joe L. McCormick
Executive Director & Chief Executive Officer

Janice C. Ernst
Chief of Staff

Ron Duvall
Senior Vice President, Office of Technology

Matthew A. Korn
Director of Financial Affairs & Chief Financial Officer

Richard F. Casey
Director of Legal Services & General Counsel

Robin B. Thomerson
Director of Loan Policy Services

G. Blake Tanner
Director of Loan Program Administration

Linda N. Renschler
Director of Student & Administrative Services

As of June 30, 2002